

The Book Fairies

*FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020*



CERINI
&
LLP
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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success

THE BOOK FAIRIES, INC.

*FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
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& **LLP**
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Review Report

Board of Directors
The Book Fairies, Inc.
70 N Main Street
Freeport, New York NY

We have reviewed the accompanying financial statements of The Book Fairies, Inc. (hereinafter the "Book Fairies"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Book Fairies' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Book Fairies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Cerini & Associates LLP

Bohemia, New York
March 16, 2022

THE BOOK FAIRIES, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2021

2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	396,114	\$	185,604
Donated book inventory		4,936		4,445
Accounts receivable.....		12,480		10,798
Prepaid expenses.....		1,150		1,149

TOTAL ASSETS	\$	414,680	\$	201,996
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable.....	\$	3,604	\$	4,614
Accrued expenses.....		3,100		4,200

TOTAL LIABILITIES		6,704		8,814
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Net Assets:

Without donor restrictions.....		407,976		193,182
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TOTAL LIABILITIES AND NET ASSETS	\$	414,680	\$	201,996
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THE BOOK FAIRIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

2021

2020

	2021	2020
SUPPORT AND REVENUE		
Contributions and grants.....	\$ 460,307	\$ 243,714
Book sales.....	22,102	13,380
Registration fees.....	6,680	2,350
Paycheck Protection Program loan forgiveness income.....	33,090	28,550
Other income.....	21,895	9,354
Donated book income.....	112,998	90,736
Gross proceeds from special events.....	1,968	1,365
Less: direct benefit to donors.....	(1,800)	(2,450)
Net proceeds from special events.....	168	(1,085)
TOTAL SUPPORT AND REVENUE	657,240	386,999
EXPENSES		
Program.....	287,831	214,409
General and administrative.....	37,155	23,286
Fundraising.....	117,460	103,409
TOTAL EXPENSES	442,446	341,104
CHANGE IN NET ASSETS	214,794	45,895
Net assets, beginning of year.....	193,182	147,287
Net assets, end of year.....	\$ 407,976	\$ 193,182

THE BOOK FAIRIES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes.....	\$ 137,599	\$ 20,600	\$ 62,945	\$ 221,144
Professional fees.....	31,153	4,300	41,073	76,526
Office supplies and expenses.....	5,900	4,870	5,940	16,710
Insurance.....	-	2,796	-	2,796
Marketing.....	3,256	357	1,758	5,371
Meetings and travel.....	70	2,081	-	2,151
Contributions.....	650	124	737	1,511
Bank fees.....	-	15	-	15
Processing fees.....	292	362	5,007	5,661
Miscellaneous.....	649	1,650	-	2,299
Donated book expense.....	108,262	-	-	108,262
TOTAL EXPENSES	\$ 287,831	\$ 37,155	\$ 117,460	\$ 442,446

THE BOOK FAIRIES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes.....	\$ 93,983	\$ 14,186	\$ 57,119	\$ 165,288
Professional fees.....	15,098	4,200	33,623	52,921
Office supplies and expenses.....	13,503	-	-	13,503
Insurance.....	-	3,654	-	3,654
Marketing.....	-	-	4,915	4,915
Meetings and travel.....	-	250	-	250
Contributions.....	5,334	-	-	5,334
Bank fees.....	-	24	-	24
Processing fees.....	-	248	7,752	8,000
Miscellaneous.....	-	724	-	724
Donated book expense.....	86,491	-	-	86,491
TOTAL EXPENSES	\$ 214,409	\$ 23,286	\$ 103,409	\$ 341,104

THE BOOK FAIRIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2021

2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$	214,794	\$	45,895
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Adjustment to reconcile change in net assets to net cash provided by operating activities:

Forgiveness of Paycheck Protection Program loan.....		(33,090)		(28,550)
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Changes in operating assets and liabilities:

Donated book inventory.....		(491)		(4,245)
Accounts receivable.....		(1,682)		(8,298)
Prepaid expenses.....		(1)		34
Accounts payable.....		(1,010)		843
Accrued expenses.....		(1,100)		200

NET CASH PROVIDED BY OPERATING ACTIVITIES		177,420		5,879
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CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Proceeds from issuance of Paycheck Protection Program loan.....		33,090		28,550
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CHANGE IN CASH AND CASH EQUIVALENTS		210,510		34,429
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Total cash and cash equivalents, beginning of year		185,604		151,175
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Total cash and cash equivalents, end of year	\$	396,114	\$	185,604
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Book Fairies, Inc. (hereinafter, the “Book Fairies”) is presented to assist in understanding the Book Fairies’ financial statements. The financial statements and notes are representations of the Book Fairies’ management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (“US GAAP”) and have been consistently applied in the preparation of the financial statements.

Organization: The Book Fairies, a non-profit organization, is located in Freeport, New York. The Book Fairies collects reading materials for people in need throughout metropolitan New York. The reading materials foster literacy and academic success, provide a respite from personal struggles, and nurture a love of reading across age groups.

The Book Fairies’ major programs include Community Initiatives, Children’s Education Events, and the Global Literacy Partnership. Community Initiatives supplies, maintains, and refreshes books for shelves in various sites in underserved communities to improve access to books and encourage reading through varied and high-interest selections. Children’s Education Events provide literacy programming to students in high-need districts through community book fairs, free schoolbook fairs, summer totes, and special giveaways. The Global Literacy Partnership involves partnering with organizations that provide much-needed school supplies to disadvantaged schools in Africa.

Income Tax Status: The Book Fairies is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported. The Book Fairies is also exempt from state and local taxes. The Book Fairies management has evaluated for uncertain tax positions and determined that there were no uncertain positions for 2021 and 2020.

The Book Fairies is supported by donations from the general public. The Book Fairies files an IRS Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by federal, state, and local authorities. Management of the Book Fairies believes that it has registered in all states where its activities require it be registered.

Basis of Accounting: These financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Financial Statement Presentation: The Book Fairies is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Book Fairies.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Book Fairies or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

There were no net assets with donor restrictions as of both December 31, 2021 and 2020.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: The Book Fairies considers all money market accounts and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. The Book Fairies considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are written off when management deems the possibility of collecting amounts due as completely unlikely. The Book Fairies closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status.

Contributions: Contributions are recognized when the donor makes a promise to give to the Book Fairies that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising Events: Special events revenue is recorded at the time the events take place. Costs incurred for which a donor receives a direct benefit, exchange transactions, have been offset against the revenue in the statement of activities. Other costs related to the events for which the donor does not receive a direct benefit are included within fundraising costs in the statements of functional expenses.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Book Inventory: Donated inventory is recorded at fair value at the time of the donation. The Book Fairies reviews the carrying value of its inventory for possible impairment whenever events or changes in circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss would be recognized when the fair value of the inventory is lower than the carrying amount, in which case a write-down is recorded to reduce the related asset to its estimated fair value.

Donated Book Income and Expense: The Book Fairies receives donated books. Management has estimated the value of the donated books received during the years ended December 31, 2021 and 2020 to be \$112,998 and \$90,736, respectively. The estimated fair market value of received books has been included in the accompanying statements of activities. Management has estimated the value of the donated books distributed during the years ended December 31, 2021 and 2020 to be \$108,262 and \$86,491, respectively. The estimated fair market value of distributed books has been included in the accompanying statements of functional expenses.

Donated Services: The Book Fairies benefits from volunteer services, which help to advance the Book Fairies' mission; however, no amounts have been reflected in the financial statements for contributed services as such services do not meet the criteria for recognition in the financial statements under accounting principles generally accepted in the United States of America, nor do they create or enhance nonfinancial assets.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the program, general and administrative, and fundraising categories. Most costs incurred by the Book Fairies are directly assignable to these categories. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Salaries and payroll taxes are allocated based upon estimated time spent on program related, general and administrative, and fundraising functions.

Events Occurring After Report Date: The Book Fairies has evaluated events and transactions that occurred between January 1, 2022 and March 16, 2022, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassification: Certain balances in the financial statements for the year ended December 31, 2020 were reclassified to conform to the current year presentation.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 - CONCENTRATION OF RISK

The Book Fairies maintains cash in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. The Book Fairies has not incurred any losses in such accounts to date. During the years ended December 31, 2021 and 2020, approximately 29% and 26% of the Book Fairies' total contribution revenue was derived from its five largest donors for each year.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Book Fairies' financial assets at December 31,:

	2021	2020
Cash	\$ 396,114	\$ 185,604
Accounts receivable.....	12,480	10,798
Financial assets available to meet general expenditures over the next twelve months.....	<u>\$ 408,594</u>	<u>\$ 196,402</u>

The Book Fairies' goal is to maintain financial assets to cover operating expenses for ninety days (approximately \$84,000).

NOTE 4 - IMPACTS OF COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The full financial impact of this matter cannot be estimated at this time.

In May 2020, the Book Fairies received a loan of \$28,550 as part of the Paycheck Protection Program ("PPP") of the United States of America CARES Act. PPP forgiveness income was recognized during the year ended December 31, 2020 because qualifying expenditures were incurred during the year then ended up to the total amount of the loan. The loan was formally forgiven by the United States Small Business Administration ("SBA") during the year ended December 31, 2021.

In March 2021, the Book Fairies received a second PPP loan of \$33,090. The loan was forgiven in October 2021. PPP forgiveness income was recognized during the year ended December 31, 2021 because qualifying expenditures were incurred during the year then ended up to the total amount of the loan.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4 - IMPACTS OF COVID-19 (continued)

During the year ended December 31, 2021 the Book Fairies also applied for Employee Retention Tax Credits (“ERTC”). The ERTC is a payroll tax credit (not an income tax credit) and is ultimately to be reported on IRS Form 941. Eligible employers can claim the ERTC by computing the ERTC amount for a pay period and decreasing the required payroll deposit by that amount. To be eligible, organizations must meet one of the following criteria: (1) the organization’s operations were either fully or partially suspended due to a COVID-19 government order; or (2) the organization suffered a significant reduction in gross receipts as compared with the same calendar quarter in the previous year. The Book Fairies was eligible to apply and recognized \$20,806 and \$9,100 of ERTC tax credits within other income on the statement of activities for the years ended December 31, 2021 and 2020, respectively.